

UNITED STATES DEPARTMENT OF JUSTICE
WASHINGTON, D.C. 20530

SUPPLEMENTAL STATEMENT

Pursuant to Section 2 of the Foreign Agents
Registration Act of 1938, as Amended

For Six Month Period Ending 02 AUG 1981
(Insert date)

Name of Registrant

Registration No.

Japan Trade Center

1850

Business Address of Registrant

230 North Michigan Avenue, Chicago, Illinois 60601

I - REGISTRANT

1. Has there been a change in the information previously furnished in connection with the following:

(a) If an individual:

(1) Residence address	Yes <input type="checkbox"/>	No <input type="checkbox"/>
(2) Citizenship	Yes <input type="checkbox"/>	No <input type="checkbox"/>
(3) Occupation	Yes <input type="checkbox"/>	No <input type="checkbox"/>

(b) If an organization:

(1) Name	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
(2) Ownership or control	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
(3) Branch offices	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

2. Explain fully all changes, if any, indicated in Item 1.

IF THE REGISTRANT IS AN INDIVIDUAL, OMIT RESPONSE TO ITEMS 3, 4, and 5.

3. Have any persons ceased acting as partners, officers, directors or similar officials of the registrant during this 6 month reporting period? Yes ☐ No ☒

If yes, furnish the following information:

Name

Position

Date Connection
Ended

4. Have any persons become partners, officers, directors or similar officials during this 6 month reporting period? ☐ Yes ☒ No

If yes, furnish the following information:

<i>Name</i>	<i>Residence Address</i>	<i>Citizenship</i>	<i>Position</i>	<i>Date Assumed</i>
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5. Has any person named in Item 4 rendered services directly in furtherance of the interests of any foreign principal? Yes ☐ No ☒

If yes, identify each such person and describe his services.

6. Have any employees or individuals other than officials, who have filed a short form registration statement, terminated their employment or connection with the registrant during this 6 month reporting period? Yes ☒ No ☐

If yes, furnish the following information:

<i>Name</i>	<i>Position or connection</i>	<i>Date terminated</i>
Takeaki Koyanagi	Director of Research	March, 1981
Nobuyuki Otera	Director of PR	May, 1981
Shuji Ogawa	Executive Director	May, 1981

7. During this 6 month reporting period, have any persons been hired as employees or in any other capacity by the registrant who rendered services to the registrant directly in furtherance of the interests of any foreign principal in other than a clerical or secretarial, or in a related or similar capacity? Yes ☒ No ☐

If yes, furnish the following information:

<i>Name</i>	<i>Residence Address</i>	<i>Position or connection</i>	<i>Date connection began</i>
Hideo Setoya	905 Wedel Lane Glenview, IL. 60025	Director of research	Feb. 28, 1981
Tosaku Kobayashi	213 16th St. Wilmette, IL. 60091	Director of PR	May 11, 1981
Tomiyuki Kudo	2632 Princeton Ave. Evanston, IL. 60201	Executive Director	June 19, 1981

II - FOREIGN PRINCIPAL

8. Has your connection with any foreign principal ended during this 6 month reporting period?

Yes ☐ No ☒

If yes, furnish the following information:

Name of foreign principal

Date of Termination

9. Have you acquired any new foreign principal¹ during this 6 month reporting period? Yes ☐ No ☒

If yes, furnish following information:

Name and address of foreign principal

Date acquired

10. In addition to those named in Items 8 and 9, if any, list the foreign principals¹ whom you continued to represent during the 6 month reporting period.

Japan External Trade Organization (JETRO)

Osaka Municipal Government (please refer to Schedule 1, attached)

III - ACTIVITIES

11. During this 6 month reporting period, have you engaged in any activities for or rendered any services to any foreign principal named in Items 8, 9, and 10 of this statement? Yes ☒ No ☐

If yes, identify each such foreign principal and describe in full detail your activities and services:

Please refer to Schedule II, attached

¹ The term "foreign principal" includes, in addition to those defined in section 1(b) of the Act, an individual or organization any of whose activities are directly or indirectly supervised, directed, controlled, financed, or subsidized in whole or in major part by a foreign government, foreign political party, foreign organization or foreign individual. (See Rule 100(a)(9)).

A registrant who represents more than one foreign principal is required to list in the statements he files under the Act only those foreign principals for whom he is not entitled to claim exemption under Section 3 of the Act. (See Rule 208.)

12. During this 6 month reporting period, have you on behalf of any foreign principal engaged in political activity² as defined below?

Yes ☒ No ☐

If yes, identify each such foreign principal and describe in full detail all such political activity, indicating, among other things, the relations, interests and policies sought to be influenced and the means employed to achieve this purpose. If the registrant arranged, sponsored or delivered speeches, lectures or radio and TV broadcasts, give details as to dates, places of delivery, names of speakers and subject matter.

Japan External Trade Organization (JETRO)

* Please refer to Schedule II - PR activities and Section V, Political Propaganda Item 16 through 24 of this statement.

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13. In addition to the above described activities, if any, have you engaged in activity on your own behalf which benefits any or all of your foreign principals?

Yes ☐ No ☒

If yes, describe fully.

² The term "political activities" means the dissemination of political propaganda and any other activity which the person engaging therein believes will, or which he intends to, prevail upon, indoctrinate, convert, induce, persuade, or in any other way influence any agency or official of the Government of the United States or any section of the public within the United States with reference to formulating, adopting, or changing the domestic or foreign policies of the United States or with reference to the political or public interests, policies, or relations of a government of a foreign country or a foreign political party.

IV - FINANCIAL INFORMATION

14. (a) RECEIPTS - MONIES

During this 6 month reporting period, have you received from any foreign principal named in Items 8, 9 and 10 of this statement, or from any other source, for or in the interests of any such foreign principal, any contributions, income or money either as compensation or otherwise?

Yes ☒ No ☐

If yes, set forth below in the required detail and separately for each foreign principal an account of such monies.³

<i>Date</i>	<i>From Whom</i>	<i>Purpose</i>	<i>Amount</i>
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Please refer to Schedule III, attached

JETRO	\$ 462,253.45
Osaka	52,267.05
Total	

14. (b) RECEIPTS - THINGS OF VALUE

During this 6 month reporting period, have you received any thing of value⁴ other than money from any foreign principal named in Items 8, 9 and 10 of this statement, or from any other source, for or in the interests of any such foreign principal?

Yes ☐ No ☒

If yes, furnish the following information:

<i>Name of foreign principal</i>	<i>Date received</i>	<i>Description of thing of value</i>	<i>Purpose</i>
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³ A registrant is required to file an Exhibit D if he collects or receives contributions, loans, money, or other things of value for a foreign principal, as part of a fund raising campaign. See Rule 201(e).

⁴ Things of value include but are not limited to gifts, interest free loans, expense free travel, favored stock purchases, exclusive rights, favored treatment over competitors, "kickbacks," and the like.

15. (a) DISBURSEMENTS - MONIES

During this 6 month reporting period, have you

(1) disbursed or expended monies in connection with activity on behalf of any foreign principal named in Items 8, 9 and 10 of this statement? Yes ☒ No ☐

(2) transmitted monies to any such foreign principal? Yes ☐ No ☒

If yes, set forth below in the required detail and separately for each foreign principal an account of such monies, including monies transmitted, if any, to each foreign principal.

Date	To Whom	Purpose	Amount
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Please refer to Schedule IV, (A) and (B), attached

JETRO	\$ 492,712.65
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Osaka	64,521.72
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Total

15. (b) DISBURSEMENTS - THINGS OF VALUE

During this 6 month reporting period, have you disposed of anything of value⁵ other than money in furtherance of or in connection with activities on behalf of any foreign principal named in items 8, 9 and 10 of this statement?

Yes ☐ No ☒

If yes, furnish the following information:

<i>Date disposed</i>	<i>Name of person to whom given</i>	<i>On behalf of what foreign principal</i>	<i>Description of thing of value</i>	<i>Purpose</i>
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(c) DISBURSEMENTS - POLITICAL CONTRIBUTIONS

During this 6 month reporting period, have you from your own funds and on your own behalf either directly or through any other person, made any contributions of money or other things of value⁵ in connection with an election to any political office, or in connection with any primary election, convention, or caucus held to select candidates for political office? Yes ☐ No ☒

If yes, furnish the following information:

<i>Date</i>	<i>Amount or thing of value</i>	<i>Name of political organization</i>	<i>Name of candidate</i>
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V - POLITICAL PROPAGANDA

(Section 1(j) of the Act defines "political propaganda" as including any oral, visual, graphic, written, pictorial, or other communication or expression by any person (1) which is reasonably adapted to, or which the person disseminating the same believes will, or which he intends to, prevail upon, indoctrinate, convert induce, or in any other way influence a recipient or any section of the public within the United States with reference to the political or public interests, policies, or relations of a government of a foreign country or a foreign political party or with reference to the foreign policies of the United States or promote in the United States racial, religious, or social dissensions, or (2) which advocates, advises, instigates, or promotes any racial, social, political, or religious disorder, civil riot, or other conflict involving the use of force or violence in any other American republic or the overthrow of any government or political subdivision of any other American republic by any means involving the use of force or violence.)

16. During this 6 month reporting period, did you prepare, disseminate or cause to be disseminated any political propaganda as defined above? Yes ☒ No ☐

IF YES, RESPOND TO THE REMAINING ITEMS IN THIS SECTION V.

17. Identify each such foreign principal.

Japan External Trade Organization (JETRO), Tokyo, Japan

⁵ Things of value include but are not limited to gifts, interest free loans, expense free travel, favored stock purchases, exclusive rights, favored treatment over competitors, "kickbacks," and the like.

18. During this 6 month reporting period, has any foreign principal established a budget or allocated a specified sum of money to finance your activities in preparing or disseminating political propaganda?

Yes ☒ No ☐

If yes, identify each such foreign principal, specify amount, and indicate for what period of time.

Japan External Trade Organization (JETRO), Tokyo, Japan

Amount --- \$ 92,880.00

Period --- October, 1980 to March, 1981

19. During this 6 month reporting period, did your activities in preparing, disseminating or causing the dissemination of political propaganda include the use of any of the following:

☐ Radio or TV broadcasts ☐ Magazine or newspaper articles ☒ Motion picture films ☐ Letters or telegrams
☐ Advertising campaigns ☐ Press releases ☒ Pamphlets or other publications ☒ Lectures or speeches
☐ Other (specify) _____

20. During this 6 month reporting period, did you disseminate or cause to be disseminated political propaganda among any of the following groups:

☐ Public Officials ☐ Newspapers ☐ Libraries
☐ Legislators ☐ Editors ☐ Educational institutions
☐ Government agencies ☒ Civic groups or associations ☐ Nationality groups
☐ Other (Specify) _____

21. What language was used in this political propaganda:

☒ English ☐ Other (specify) _____

22. Did you file with the Registration Section, Department of Justice, two copies of each item of political propaganda material disseminated or caused to be disseminated during this 6 month reporting period?

Yes ☒ No ☐

23. Did you label each item of such political propaganda material with the statement required by Section 4(b) of the Act? Yes ☒ No ☐

24. Did you file with the Registration Section, Department of Justice, a Dissemination Report for each item of such political propaganda material as required by Rule 401 under the Act?

Yes ☒ No ☐

VI - EXHIBITS AND ATTACHMENTS

25. EXHIBITS A AND B

- (a) Have you filed for each of the newly acquired foreign principals in Item 9 the following:

Exhibit A⁶ Yes ☐ No ☐

Exhibit B⁷ Yes ☐ No ☐ Not applicable

If no, please attach the required exhibit.

- (a) Have there been any changes in the Exhibits A and B previously filed for any foreign principal whom you represented during this six month period?

Yes ☐ No ☐

If yes, have you filed an amendment to these exhibits? Yes ☐ No ☐

If no, please attach the required amendment.

⁶ The Exhibit A, which is filed on Form OBD-67 (Formerly DJ-306) sets forth the information required to be disclosed concerning each foreign principal.

⁷ The Exhibit B, which is filed on Form OBD-65 (Formerly DJ-304) sets forth the information concerning the agreement or understanding between the registrant and the foreign principal.

26. EXHIBIT C

If you have previously filed an Exhibit C⁸, state whether any changes therein have occurred during this 6 month reporting period.

Yes ☐ No ☒

If yes, have you filed an amendment to the Exhibit C? Yes ☐ No ☐

If no, please attach the required amendment.

27. SHORT FORM REGISTRATION STATEMENT

Have short form registration statements, been filed by all of the persons named in Items 5 and 7 of the supplemental statement?

Yes ☐ No ☒

If no, list names of persons who have not filed the required statement.

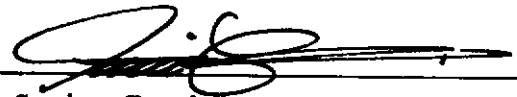
Mr. Tomiyuki Kudo, Mr. Hideo Setoya and Mr. Tosaku Kobayashi.

* The short forms for the above three are attached with this statement.

The undersigned swear(s) or affirm(s) that he has (they have) read the information set forth in this registration statement and the attached exhibits and that he is (they are) familiar with the contents thereof and that such contents are in their entirety true and accurate to the best of his (their) knowledge and belief, except that the undersigned make(s) no representation as to the truth or accuracy of the information contained in attached Short Form Registration Statement, if any, insofar as such information is not within his (their) his (their) personal knowledge.

(Type or print name under each signature)

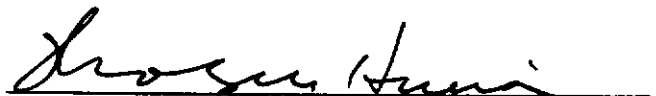
(Both copies of this statement shall be signed and sworn to before a notary public or other person authorized to administer oaths by the agent, if the registrant is an individual, or by a majority of those partners, officers, directors or persons performing similar functions who are in the United States, if the registrant is an organization.)



Sumio Tanaka
Chief Executive Director
~~Japan Trade Center, Chicago~~

Subscribed and sworn to before me at Chicago, Illinois

this 19 day of October, 19 81



(Signature of notary or other officer)

⁸ The Exhibit C, for which no printed form is provided, consists of a true copy of the charter, articles of incorporation, association, constitution, and bylaws of a registrant that is an organization. (A waiver of the requirement to file an Exhibit C may be obtained for good cause shown upon written application to the Assistant Attorney General, Criminal Division, Internal Security Section, Department of Justice, Washington, D.C. 20530.

SCHEDULE I

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U.S. DEPARTMENT
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CRIMINAL DIVISION
Nov 10 1955
REGISTRATION UNIT

The Japan External Trade Organization (JETRO) is a wholly owned organization of the government of Japan and part thereof, created by special legislative enactment, for the purpose of promoting trade between Japan and other countries and to develop better economic and trade relations between Japan and such other countries. JETRO operates in the United States under the name of Japan Trade Center and its offices here are engaged primarily in economic and market research, dissemination of economic and trade information on Japan as well as trade show participation and its functions are believed to be similar to those of the United States Trade Center (of the United States Department of Commerce) in Japan and other foreign countries.

Some of JETRO's employees are drawn from local governmental units including those listed above. Some of such employees drawn from local governmental units are assigned to work in some of the branch offices of JETRO in the United States. Such persons are employees of JETRO and engaged in a variety of activities in the same manner as other employees.

Because the various local governments in general have an interest in the trade and business informations gathered by JETRO through its branch offices in the United States, they are among the recipients in Japan of such information disseminated by JETRO. Such information is principally used by the local governments for dissemination to companies which qualify as small business in their area. Such small business generally do not have the means or resources to gather such business information on their own as do larger companies. JETRO employees who have had prior experience with business in the areas of such local governments, because of their familiarity with them, may be called upon in connection with their other duties to gather information for dissemination through JETRO to such governments. At all times, however, they act as employees of JETRO and do not represent these governments as foreign agents in the United States. The local governments generally make annual contributions to JETRO for the purpose of reimbursing JETRO for expenses incurred in carrying out its functions.

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INT. SECURITY
REGISTRATION UNIT

SCHEDULE II

Activities

1) Research Department - Conducted research on foreign trade in the United States.

2) PR Department

October, 1980 --- Participated in "Exporting to Japan Seminar" in Concinnati and executive director of Japan Trade Center, Chicago office gave speech on "Japan as an Export Market"

Participated in National Houseware Show at McCormick Place.

Had meeting with businessmen from packaging machinery industries.

November, 1980 -- Executive director of Japan Trade Center, Chicago office gave speech on "Export to Japan" at the Northwest International Club.

December, 1980 -- Had discussion with local business circle in Kansas City on "Japanese Investment by Japanese firms in the United States".

January, 1981 --- Preview of video tapes by Japan Institute for Social and Economic Affairs at this office.

March, 1981 ----- Sponsored "Quality Control Seminar" with Chicago Association of Commerce and Industry inviting Professor Karatsu from Toikai University in Japan.

3) Osaka - As a inquiry department, gave out information and publicity materials on Japanese merchandise and Japanese companies to those who inquire about this type of informations.

SCHEDULE III

Remittance from Japan External Trade Organization, Tokyo, Japan for maintenance of Japan Trade Center, Chicago. (Latest semiannual fiscal period - from October, 1980 to March, 1981)

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REGISTRATION UNIT

JETRO

October, 1980	88,381.70
November, "	73,182.97
December, "	132,578.67
January, 1981	58,879.83
February, "	66,315.04
March, "	42,915.24
	<u>\$ 462,253.45</u>

Osaka

October, 1980	\$ 52,267.05
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INVESTIGATION
REGISTRATION UNIT
\$ 329,633.79

\$ 221,245.66

SCHEDULE IV (A)

JETRO

Expenditures --- October, 1980 - March 31, 1981

1) General Office Expenses

Salary - staff & local

staff

S. Tanaka	16,290.82
S. Ogawa	26,520.68
Y. Date	17,591.98
T. Koyanagi	19,354.01
H. Setoya	2,991.51
N. Otera	19,588.71
E. Nagata	17,188.22
S. Fujii	25,172.53
Y. Taguchi	3,960.30
	<u>148,658.76</u>

local

R. Filson	13,237.00
Y. Iwamuro	8,799.00
P. Noga	6,341.00
J. Sato	4,921.58
J. Hurd	4,803.37
K. Hurst	6,300.00
P. Vehlow	12,075.00
S. Thomas	8,120.00
E. Nishimoto	7,989.95
	<u>72,586.90</u>

Schedule IV (A)

Page - 2

1) General office expenses (continued)

Rent	T.B.Z. Realty & Mgmt. Corp.	36,904.24
Utility	T.B.Z. Realty & Mgmt. Corp.	3,435.76
Lawyer's retain fee	Mr. Philip J. Schmidt	800.00
Insurance	American Insurance Consultants, Inc.	5,768.63
Memberships	Japanese Chamber of Commerce & Industry of Chicago, 2,649.55 Illinois Athletic Club, Rotary Club of Chicago, etc.	
Travel	Yamada Travel Service, staff members	6,801.56
Transportation (car rental, gasoline, taxi, parking, etc.)	Amoco Oil Co., Avis, etc.	2,473.69
Communications	Illinois Bell Telephone Co. 3,863.42 U.S. post office 3,772.72 Western Union 1,393.07 ITT, RCA 531.51 U.S. Leasing Corp. 183.66 Pitney Bowes 44.06	9,788.44
Luncheon, dinner- meetings, seminars	Japan America Society, Chicago Association of Commerce & Industry, etc.	1,587.58

Schedule IV (A)
Page - 3

1) General office Expenses (continued)

Meeting/conference, entertainment	Fuji Restaurant, Tamura Enterprises, Kamehachi of Tokyo, etc.	3,840.07
Subscriptions	Henshaw Newspapers Delivery, OCS America, Inc., etc.	1,750.55
Office equipments	Panafax Corp., Sony Corp., Horder Mgmt. Corp.	18,697.27
Research	Washington Nichibei Consultants, R.D. McCormick Associates	15,757.50
Miscellaneous	Ambassador Office Equipment Xerox Corp. Magikist TBZ Relaty & Mgmt. Corp. Medical check-up reference material others	8,133.28

2) Research Department

\$ 55,519.06

Marketing Research

Marketron Associates	26,325.00
Dr. Ronald Miller	8,400.00
Industrial Marketing Research	2,750.00
Asian International	2,650.00

38,100.00

Schedule IV (A)
Page - 4

2) Research department (continued)

Subscriptions	Journal of Commerce, Wall Street Journal, Bureau of National Affairs, Inc., Predicasts, Inc., Government Printing Office & other periodicals.	2,847.91
Reference materials	Government Printing Office, Dartnell Corp., etc.	632.02
Travel	Yamada Travel Service, staff	7,282.58
Transportation	Amoco Oil Co., Avis, etc.	2,331.73
Memberships	The Seventy-one Club, Committee on Foreign Affairs	130.00
Meeting/conference, entertainment	Fuji Restaurant, Tamura Enterprises, etc.	2,337.87
Communications	Illinois Bell Telephone Co., ITT World Communi- cations Inc., U.S. Post Office.	1,446.84
Miscellaneous		410.11
3) PR Department		<u>\$ 97,559.81</u>
PR agent retain fee	International Marketing Center, Ltd.	16,500.00
Production fee	International Marketing Center, Ltd.	4,564.79
Memberships	Illinois State Chamber of Commerce, Illinois Athletic Club, Rotary Club of Chicago	897.55

Schedule IV (A)
Page - 5

3) PR department (continued)

Travel	Yamada Travel Service, staff	10,592.10
Transportation		
		1,185.59
Subscriptions	OCS America, Inc., Henshaw Newspaper Delivery, periodicals	1,073.85
Reference materials	Japanese Chamber of Commerce & Industry of Chicago, Chicago Association of Commerce & Industry, Kinokuniya Book Store, etc.	1,042.39
Film distribution	United Parcel Service	298.25
Luncheon, seminar	Chicago World Conference, Japan America-Society, International Business Council, etc.	2,303.00
Meeting/conference entertainment	Fuji Restaurant, Tamura Enterprises, Inc., etc.	5,337.46
Communications	Illinois Bell Telephone Co., ITT World Communications, Inc., etc.	2,112.68
Research	Markotron Associates	9,000.00
Office equipment	Mid-West Photo Supply Co., Stevens Exhibit, Horder magmt. Corp., Sony Corp.	5,588.04
Translation		395.00

3) PR department (continued)

Reception

McCormick Inn.

1,377.51

Miscellaneous

3,295.80

*Houseware Show

31,995.80

space fee - National Houseware-
Manufacturers Association
2,500.00
attendants 3,892.50
customs, etc. - Nippon Express 1,584.81
booth set-up, etc. - Stevens Exhibits 14,098.15
expenses at McCormick Place 1,129.00
research - Asian International 4,000.00
communications 1,061.78
seminar 1,498.00
meeting/conference, entertainment 1,387.34
miscellaneous 844.22

GRAND TOTAL

\$ 492,712.65

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REGISTRATION UNIT

SCHEDULE IV (B)

Osaka

Expenditure --- October, 1980 - March, 1981

Salary - staff & local

staff

T. Majima 15,800.00
M. Takigawa 10,500.00
T. Fujimoto 600.00
\$ 26,900.00

local

J. Porto 8,750.00

Office rental

T.B.Z. Realty & Mgmt. Corp.

1,800.00

Office supply

Horder Mgmt. Corp., etc.

5,829.75

Communications

Illinois Bell Telephone Co., U.S. Post Office, Western-
Union, etc.

2,165.06

Meeting/conference,
entertainment

Fuji Restaurant, etc.

1,382.64

Office car maintenance

Amoco Oil Co., Honda & Associates

1,878.16

Travel, transportations

Capital Travel Service, etc.

5,196.73

Subscriptions

1,887.93

Memberships

Japanese Chamber of Commerce & Industry of Chicago,
Chicago Association of Commerce & Industry, etc.

850.00

Electric, etc.

T.B.Z. Mgmt. Corp.

1,851.37

Research

Dun & Bradstreet, etc.

4,550.00

Miscellaneous

1,480.08

Grand total

\$ 64,521.72

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Nov 10 9 53 AM '81

REGISTRATION UNIT
\$ 35,850.00

QUENCHING THE NATIONAL THIRST

It takes more each year to quench Japan's prodigious national thirst. Per capita consumption of all beverages except coffee, tea, and plain water was 154 liters last year (Chart 1), up 17.5 percent from four years earlier. Alcoholic beverages were the first choice among Japanese drinkers, representing 38 percent of total beverage consumption, followed by milk drinks, with 35 percent. Carbonated soft drinks accounted for another 16 percent and fruit juices, 10 percent. Beer was the most popular single item, edging out both fresh milk and *sake*.

But unlike some other alcoholic beverages, beer drinking has been leveling off in the past few years (Chart 2). To rekindle demand, brewers are introducing new products like light beer and new types of containers like miniature aluminum kegs. Draft beer is the fastest growing item in the beer trade; it now accounts for around 20 percent of the market.

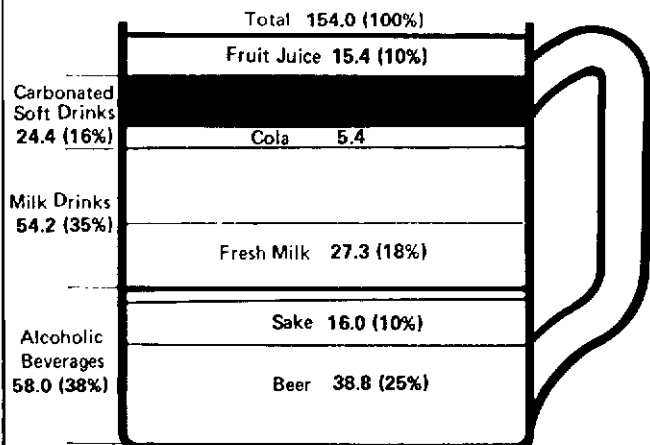
For the more serious drinkers, whiskey is already the favorite, and sales are still growing. Although brandy consumption is still only about one percent that of whiskey, its growth has

been fantastic. Other distilled spirits such as rum and gin are seldom drunk in Japan, probably because women seldom drink and very little drinking is done at home. Most alcohol is consumed in bars by men after work, and on these occasions, whiskey-and-water or beer are *de rigueur*. Some local producers of non-whiskey liquors are advertising fancier cocktails, but these have yet to catch on.

Japanese consumers have shown a greater interest in both domestic and imported wine in the past decade, but growth has been unsteady. *Sake*, the traditional drink of Japan, has disappointed brewers with its stagnant sales growth in recent years.

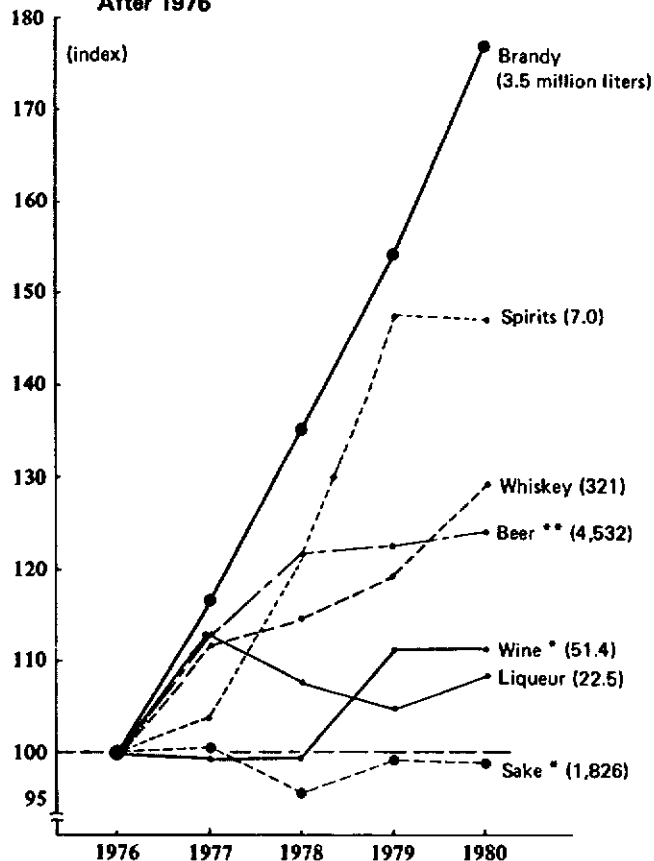
Whiskey and wine are the main imported beverages, and again, whiskey is the leader (Chart 3). High-grade imported whiskey has captured a fifth of the Japanese market, and French brandy actually outsells domestic brands. If the countless bottles of duty-free brandy and whiskey brought in from overseas by tourists were taken into account, those figures would be even higher.

Chart 1. 1980's Per-Capita Beverage Consumption in Liters



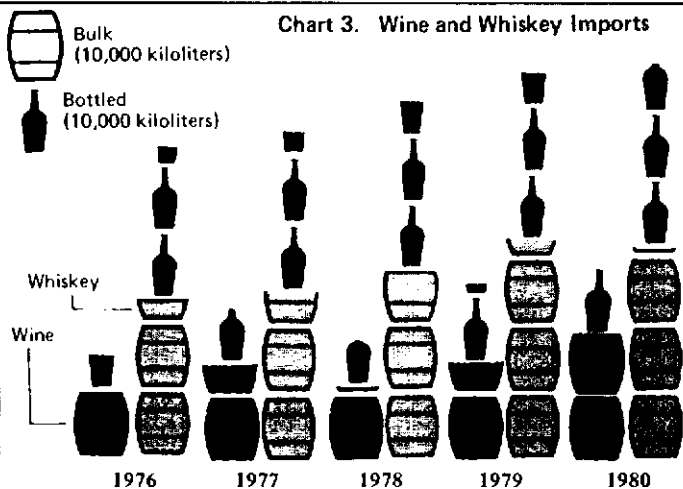
Source: Japan Soft Drinks Bottlers Association

Chart 2. Growth in Production Volume of Alcoholic Drinks After 1976



Note: Numbers in parentheses indicate 1980 production volumes.

Source: * Japan Soft Drinks Bottlers Association;
 ** Beer Breweries Foundation of Japan;
 others, Japan Spirits & Liquors Matters Association



Source: Japan Wines & Spirits Importers Association

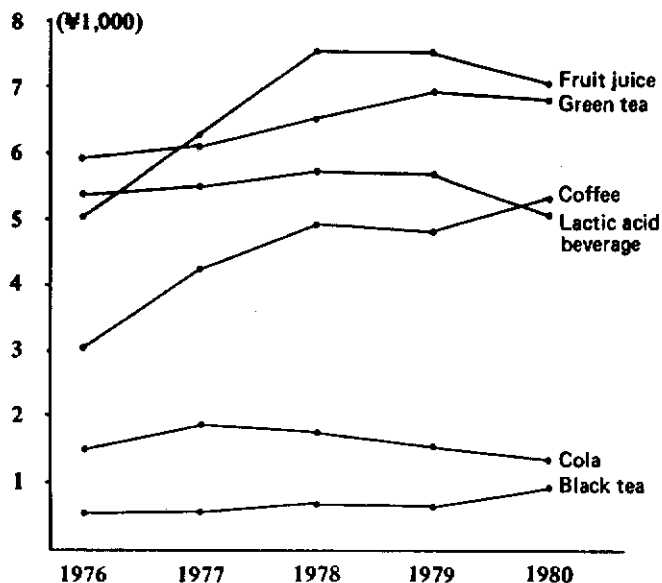
Japanese households spent an average of ¥38,000 (\$171) on non-alcoholic drinks last year (Chart 1). Fruit juice has risen to the number one spot among home drinks, although sales sagged last year. Traditional Japanese green tea has remained a steady favorite. Coffee is growing more popular and sales show no sign of slowing. Sales of lactic acid beverages made from sweetened fermented milk have slumped, however, and cola and black tea remain the least popular home beverages.

Last year, some 2.2 million vending machines sold a whopping ¥1.1 trillion (\$4.9 billion) worth of drinks (Chart 2). This represents a 2.6-fold growth in sales over the past five years. The total number of drink vending machines in the country

ballooned 137 percent during the same period.

Sales trends in recent years indicate a growing preference for natural, healthy drinks (Chart 3). The drop in market share for carbonated soft drinks has been offset by a sharp rise in sales of fruit juices and fruit juice mixes. Sweet-and-sour lactic acid drinks are giving way to fresh milk and fresh juices, just as the processed milk and powdered milk markets are being taken over by more expensive fresh milk. While cola and *sake* consumption are slipping, canned coffee drinks (a sort of thin, sweet *cafe au lait*) are on the rise. Vitamin-fortified "stamina" drinks and protein-rich soybean drinks are also gaining a strong foothold in the market.

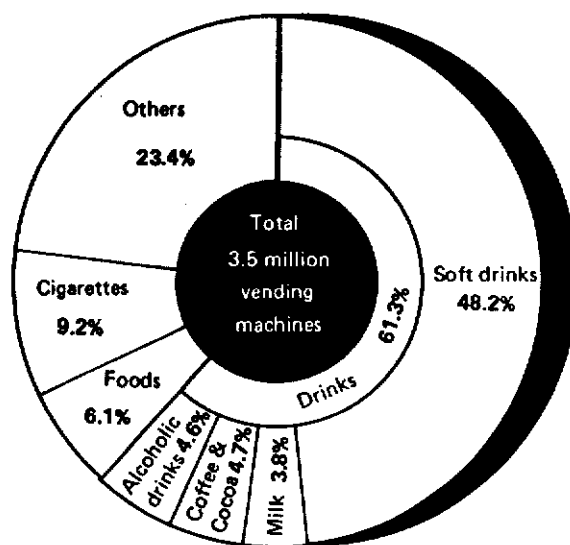
Chart 1. Per-Household Expenditures on Major Non-alcoholic Drinks



Note: Not including drinks drunk outside home.

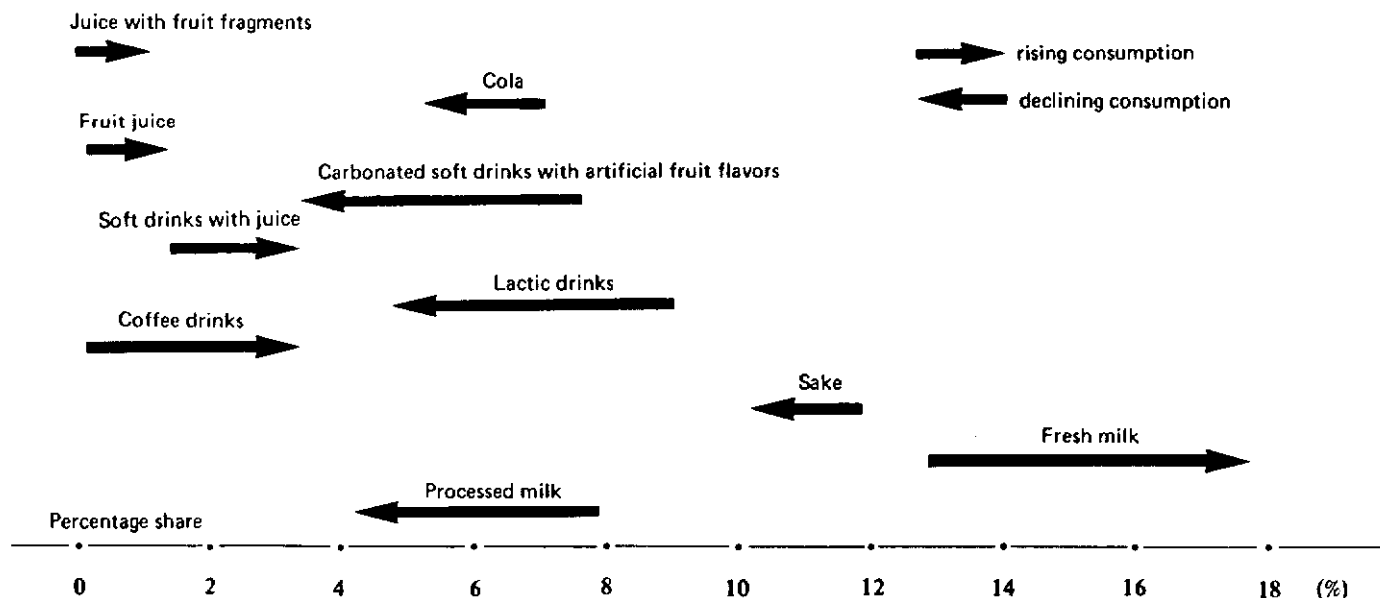
Source: Household expenditures statistics by Prime Minister's Office.

Chart 2. What Vending Machines Sell



Source: Japan Vending Machine Manufacturers Association

Chart 3. Consumption Trends for Non-Alcoholic Drinks from 1973 to 1980



Note: In terms of consumption volume. Source: Japan Soft Drinks Bottlers Association

FocusJapan

July 1981

RETAILERS SWITCHING TO DIRECT IMPORTS



Imported fruit on sale in a supermarket

Imports are a more important part of the retail business in Japan than ever before. Six years ago, department stores, supermarkets, and other large retailers imported only 5 to 7 percent of their products. But in 1977-78, the appreciation of the yen boosted its buying power over 50 percent making imports cheaper and more profitable, and now, retailers rely on imports for 10 to 15 percent of their sales.

INSIDE:

Carbon fibers, combined with plastics, form a material lighter than aluminum and stronger than steel. Page 3.

Sea farming is a cheap, efficient way to replenish Japan's overfished coastal seas. Page 4.

Van Co., once a leading maker of traditional men's fashions, fell victim to changing fashions and unsound management, but is now attempting a comeback. Page 5.

Energy-saving paints for ship bottoms save money by making a ship's voyage smooth and friction-free. Page 7.

Interview - Gregory Starr of Japan Air Lines talks about JAL's Shogun Passage, an excursion through the Japan of James Clavell's Shogun. Page 8.

Japanscene takes a look at how Japan quenches its thirst. Insert.

The growth of imports is bringing about significant changes in the way products are imported. In the past, most imports went through the conventional distributors — import agents and their designated wholesalers. But now, retailers are selling enough imported goods to make it worthwhile for them to do their own importing. Department stores and others are setting up overseas purchasing offices and building relationships with foreign retailers and manufacturers. Smaller retailers, who import only small amounts of goods individually, are banding together to form joint import organizations.

Constant Pressure

Another reason retailers are starting to import more merchandise themselves is that a current slowdown in retail sales stiffened competition among rival department stores and supermarkets. There is constant pressure on stores to look for new imported products that will keep them abreast of the competition. Explains Fumio Kimura, overseas business manager at Seibu Department Stores Ltd., a leading retailer, "If we get all of our imported goods from agents and wholesalers, we end up selling the same foreign products as other department stores. We use direct importing to make sure our imported merchandise is different."

So direct imports by retailers have

grown much faster than overall imports. Daiei Inc., Japan's largest retailer with 174 supermarket stores and ¥1.1 trillion (\$4.9 billion) in annual sales, imported some \$50 billion (\$225 million) worth of foreign-made goods last year. That figure is equivalent to 4.5 percent of the supermarket chain's total annual sales for that year, compared to a 2.4 percent ratio of direct imports to total sales in 1975. Mitsukoshi Ltd., the largest department store with 14 stores and ¥550 billion (\$2.5 billion) in annual sales, chalked up ¥40 billion (\$180 million) in direct imports last year, or 7.3 percent of total sales, compared to only 2.4 percent of total sales in 1975.

Although procurement of foreign-made goods through import agents has not increased as sharply as direct imports, it will remain a major distribution route for foreign goods coming into Japan. One reason is that import agents possess exclusive import rights granted by overseas producers on many famous brand-name products. It is nearly impossible for others to secure a steady supply of such products without working with the import agents. Seibu and several other big retailers themselves act as exclusive distributors of some brand-name imports.

Leading Importer

Seibu, last year's second leading direct importer among all retailers, began setting up import operations nearly 20 years



A Beijing Seibu shop sells imported Chinese goods.

ago. Since 1962, Seibu has set up seven overseas trading offices throughout the world which are now manned by 49 trade specialists. In addition to helping the Tokyo headquarters office with imports, the overseas offices try to obtain production licences from well-known fashion designers. Seibu now produces ¥30 billion (\$135 million) worth of fashion garments per year under foreign licence, 60 percent of which is distributed to other retailers.

Seibu also has a special arrangement with Sears, Roebuck of the United States. Starting with mail order sales of Sears products in the early seventies, the Japanese department store now sells merchandise supplied by the U.S. retail giant over the counter at 26 Sears Shops in Seibu Group stores.

Last year, Seibu became the first Japanese retailer to set up a joint venture with China. Seibu and the city of Beijing each hold a 50 percent share of the Tokyo-based Beijing Seibu Co., which will import and sell Chinese necklaces, carpets, foods, medicines, and other products through a chain of retail shops. The first six shops opened this month in Seibu's main department store building in the Ikebukuro section of Tokyo.

Quality Products

Daiei has been importing merchandise for so long that it doesn't really separate its importing from other procurement activities. Explains Noburo Ishida, a Daiei public relations official, "We try to offer good-quality products to the consumer at the lowest possible price. Sometimes we find good, low-priced articles in Japan, and sometimes we find them overseas."

Since the rise in value of the yen, Daiei has stepped up imports of food

items. For instance, a Thai firm now produces rice crackers that are then sent to South Korea, where they are seasoned with soy sauce and wrapped with seaweed before they are shipped to Japan. The Japanese retailer imports sliced and semi-boiled eels and packed, ready-to-sell shrimp from Taiwan as well as *matsudake* mushrooms (an extremely expensive Japanese delicacy) which appear in Daiei supermarkets only 48 hours after they are picked in South Korea.

The supermarket chain's overseas information network allows it to make intelligent choices between, say, importing lemons from either California or New Zealand, or buying cabbage from Taiwan or purchasing it from local farmers. Daiei also trims costs by importing in large lots. The supermarket purchased 800,000- and 600,000-piece lots of men's and children's underwear from a Shanghai factory recently, for example.

Daiei says it markets imported products the same way it does domestic goods, and shoppers often don't know a product is imported until they look closely at the label. This is a different approach from most department stores, which set aside special areas for imported merchandise to be sold as luxury items.

Joint Imports

In an effort to strength their import activities, four supermarket chains, Jusco, Uny, Izumiya, and Chujitsuya, established a joint import company called AIC Inc. in 1979. With combined annual sales of the four stores totaling over ¥1.2 trillion (\$5.4 billion), making the group bigger than Daiei, AIC is a potentially huge importer. In only its third year of business, AIC already expects to import clothing, food, and household goods worth ¥25 billion (\$112 million) this year, mostly from other East Asian countries.

Lacking its own expertise in international trading, AIC has hired trading and foreign exchange specialists away from large trading companies and the Bank of Tokyo. The new AIC experts meet with buyers from the four supermarket chains every month to decide what to import, and sometimes, AIC officials take buyers along to exporting countries.

AIC looks particularly for long-term partnerships with overseas suppliers who are willing to produce goods designed especially for the Japanese market. The company also wants to diversify away from clothing items and import more food and household goods, and also move out of other East Asian countries to suppliers in other parts of the world.

Boosting Imports

Matsuzakaya Co., a large department store chain, still depends heavily on import agents for obtaining foreign-made

goods, but the company has created a special import section in an effort to boost direct imports. Last year, Matsuzakaya imported ¥35 billion (\$157 million) worth of products through import agents, compared to just ¥9.6 billion (\$43 million) in direct imports.

One of Matsuzakaya's two major sources of direct imports is Quelle, a West German mail order and department store firm. Although Matsuzakaya has been selling Quelle products to Japanese consumers by mail order since 1973, over-the-counter sales of Quelle wool blankets, down comforters, and foldable beds now account for three-fourths of all sales of Quelle products.

The other source of Matsuzakaya imports is the Associated Merchandise Corporation (AMC), based in New York. For a reasonable fee, AMC regularly sends product information from many countries to its clients and helps them to contact foreign makers. Most of the goods Matsuzakaya purchases through AMC bear the respected AMC brand. The department store uses AMC's reputation to set itself above the discount-oriented supermarkets.

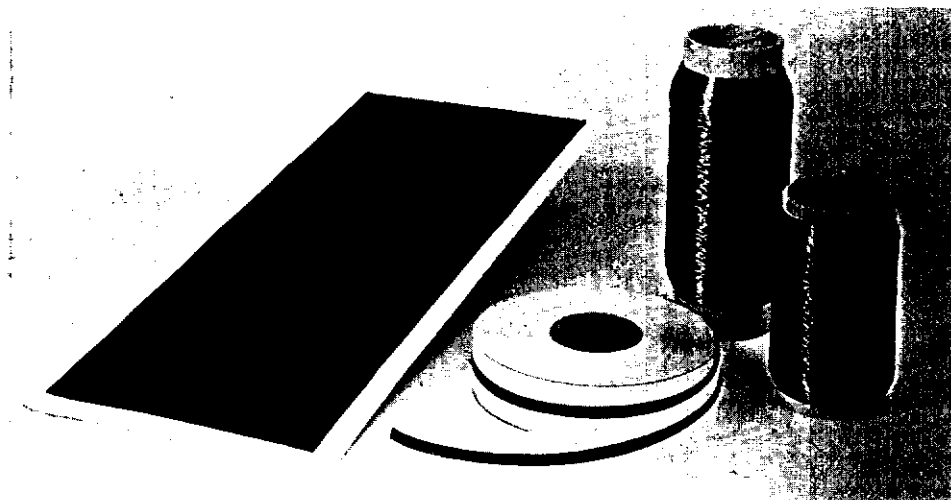
Small Stores

Small stores, hoping to compete with the giant supermarket chains and department stores, are anxious to get together to form import cooperatives. One voluntary organization of small independent store owners imports through a similar association of small furniture makers in Europe. Shigeru Miyahara of the Japan Voluntary Chain Association observes that while many of these organizations are too small to bear the risks involved in imports, many are nevertheless showing a keener interest in imports, particularly products from Taiwan.

The All-Japan Shop Co-op, made up of 15,000 small stores, staged import fairs in 1979 and 1980 with the help of a number of small trading companies. Starting this August, the co-op will invite up to 20 small store owners to the semiannual international trade fair in Frankfurt. Each tour group will be accompanied by a trading pro who will help with negotiations with European suppliers and follow-up orders after the groups return home. According to the co-op, direct importing can cut procurement costs up to 50 percent, even when shipping and tariff charges are added in. This will encourage small stores, who are powerless as individuals but are extremely numerous, to combine their resources and compete head-on with the large retailers. ■

Correction: On Page 2 of the June issue of *Focus Japan*, Okamoto Seisakusho should read Okamura Seisakusho, of Yokosuka, Kanagawa Prefecture.

NEW MARKETS FOR CARBON FIBERS



Carbon fibers by Toray Industries

Japanese researchers over 20 years ago developed a carbon fiber that could be combined with plastics to form a material stronger than steel and lighter than aluminum. The material is expensive, however, and commercial uses have been limited mainly to fishing rods, golf clubs, and other high-performance sporting goods. But recently, energy-conscious auto and aircraft makers have started using carbon fibers as light-weight substitutes for heavy metal parts.

Global Demand

Japanese synthetic fiber makers, the world's leading carbon fiber producers, are delighted to see a potentially vast new market opening up for their products. They report that global demand has raced ahead of their production capacity, and the two leaders in the field, Toray Industries, Inc. and Toho Rayon Co., are expanding their plants and licensing production techniques to overseas partners.

Dr. Akio Shindo of the government's Industrial Science and Technology Agency is largely responsible for Japan's current lead in carbon fiber technology. In 1959, he invented a carbon fiber made from polyacrylonitrile (PAN), a petrochemical intermediate. To make a good carbon fiber, long, fine PAN filaments were needed, and these were available from Japanese synthetic fiber makers who were using them for wash-and-wear fabrics. Nippon Carbon Co. and other carbon electrode manufacturers were skilled in the process of carbonizing the PAN filaments, and in 1962, Nippon Carbon produced the first commercial

carbon fibers. But by the early seventies, PAN suppliers had mastered carbonizing techniques and were producing most of the carbon fibers themselves.

Mass production of carbon fibers began only recently when sporting goods manufacturers began using carbon fibers in many of their products. According to Toray, about three-fourths of the 235 tons of carbon fibers sold in Japan last year were shipped to sporting goods manufacturers. Fishing rods and golf clubs were the most common carbon fiber products, and the largest sporting goods maker, Mizuno Corp., is planning to introduce carbon fiber tennis rackets, baseball bats, helmets, skis, and other lightweight sporting goods.

Aircraft Parts

More recently, American and European aircraft manufacturers have begun using carbon fiber reinforced plastics (CFRP) to cut down on weight and save fuel. Although the Japanese aeronautics industry is still too small to create a major market for local carbon fiber makers, U.S. aircraft producers purchased an estimated 225 tons of carbon fibers last year, only slightly less than Japan's entire demand for the same year. Boeing has already started producing CFRP parts for its 500 new B767 passenger planes to be completed over the next five years with the cooperation of Japanese and Italian partners. Each of the 767's is expected to use about 0.9 tons of CFRP, or about one percent of the airplane's total weight, for significant fuel savings.

Priced at around ¥20,000 (\$90) per kilogram, carbon fibers are still expensive,

and are used only sparingly for such specialized aircraft parts as landing gear doors and fairings. If prices fall as expected and progress is made in carbon fiber processing and parts design, experts predict 10 to 20 times more carbon fibers will be used in aircraft. Autos are another potentially huge market. Ford has tested a CFRP car that is one-third lighter than similar metal cars for a fuel savings of about one-third. Carbon fiber makers anticipate that carbon fibers will come into wide use in the auto and aircraft industries in the latter half of this decade.

Carbon Boom

In preparation for the coming carbon boom, Japanese makers have launched a series of expansion programs. Toray will be producing 45 tons per month by the end of this year and 105 tons monthly by the middle of next year, compared to 35 tons at present. Toho Rayon plans to boost its current capacity of 20 tons per month to 45 tons by yearend and 66.7 tons by the end of 1982. This April, Nippon Carbon, with its filament carbonizing technology, will team up with Asahi Chemical Co., a producer of PAN fibers, to form the Asahi Nippon Carbon Fiber Co., which will start producing 15 tons of carbon fibers per month next spring.

Japanese makers are also forming closer ties with U.S. and European businesses. Mitsubishi Rayon Co. has purchased filament carbonizing techniques from Hitco of the U.S. in hopes of using its own PAN filaments to begin production of carbon fibers sometime next year. Mitsubishi Rayon also purchases processed carbon fibers from Courtaulds, a major British supplier.

Going in the other direction, Toho Rayon is providing technologies to Celanese of the U.S., which will complete a 37.5 ton-per-month carbon fiber plant in the U.S. next year. Toray is helping Union Carbide build a 30-ton plant next year, also in the U.S. Once these plants are completed, the four companies, two from Japan and two from the U.S., will be producing 70 percent of the world's carbon fibers.

The current outlook for the industry is that it will be a sellers market through the mid-1980's, although sales manager Toshifumi Toda of Asahi Nippon Carbon Fiber notes that the industry might be overproducing during next year and the year after. As production increases, prices could drop to as low as ¥5,000 (\$22) per kilogram, making carbon fibers feasible for a much broader range of applications. Besides aircraft and auto parts, carbon fiber propellers for wind-powered generators, boat hulls of fiberglass-carbon fiber mixtures, and carbon fiber X-ray blocking devices are all being considered. As makers produce stronger and cheaper carbon fibers, the industrial applications are virtually limitless. ■

FARMING JAPAN'S COASTAL SEAS

This year, Kagoshima Prefecture on the southern tip of Kyushu Island will release over a million red seabream fingerlings into Kagoshima Bay. With a little luck, at least ten percent of them will still be around for fishermen to catch three years from now when they are big enough to eat.

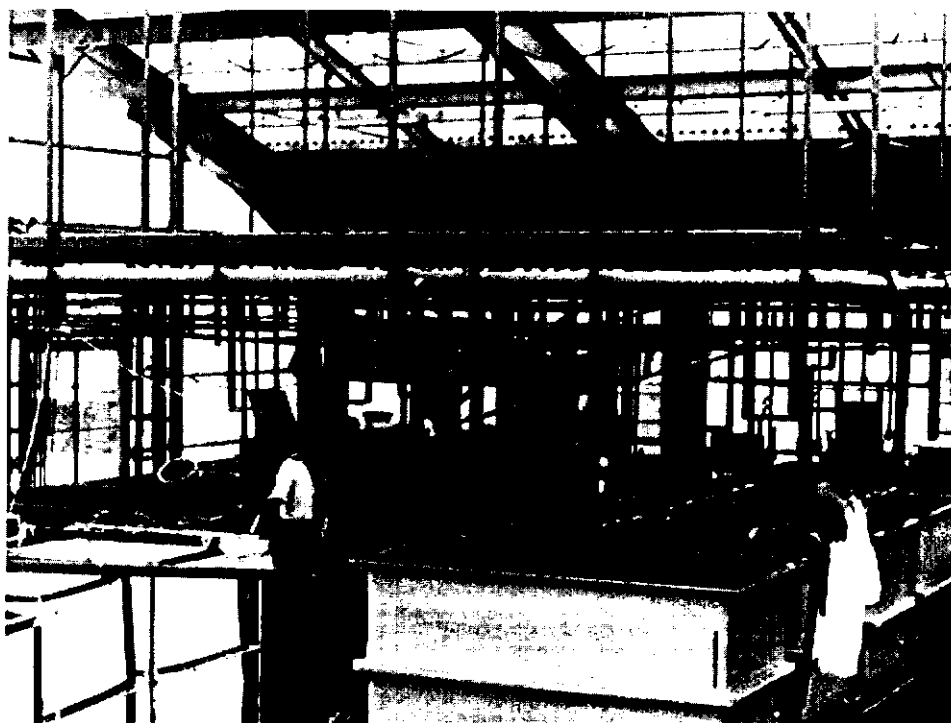
Kagoshima is experimenting with a new type of fishery technique called "sea farming." Sea farming differs from ordinary fish cultivation, where fry are raised in an artificial environment until they are ready for the market, in that fingerlings are actually released into the open sea. The idea behind sea farming is to replenish some of the overfished coastal waters around Japan.

Chance of Survival

Sea farming is better than simply letting the fish breed on their own because the survival rate of fish fry during the first month or two of life is over 50 percent in a controlled, artificial environment, compared to less than one percent in their natural ocean habitat. A 40-day-old seabream, at about three centimeters long, stands a far better chance of survival in the open sea than a tiny new-born fry.

Prefectural fishery experts say the sea farming program will boost annual hauls of red seabream in Kagoshima Bay anywhere from 78 to 102 tons. After subtracting the cost of fry production, this will add up to an additional earning of ¥200 million (\$900,000) per year. By releasing up to two million fingerlings per year over the next few years, Kagoshima hopes to boost seabream hauls in the bay from the current 100 tons per year to the previous high of 260 tons.

Still, sea farming has not really caught on among the nation's half million



Fish fry are raised in vats at a JASFA center.

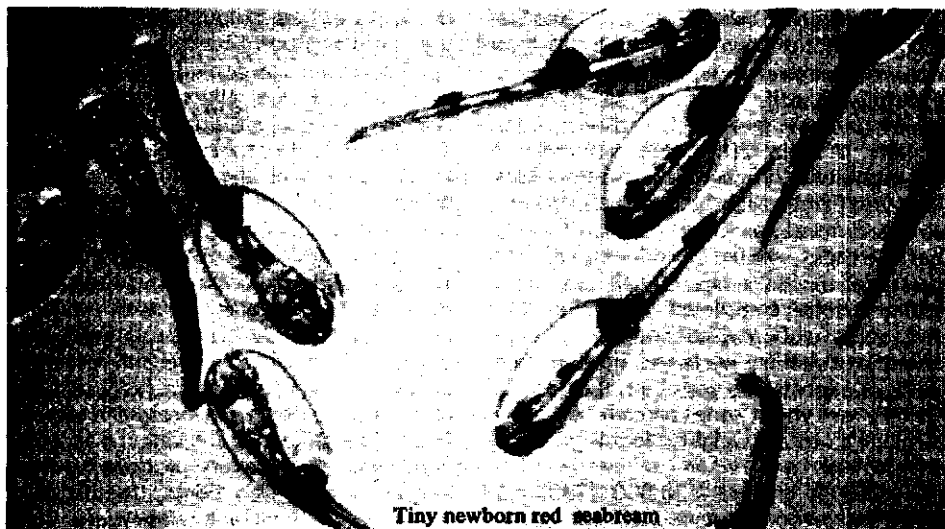
fishing families. The more profit-minded prefer cultivation of yellowtail, puffers, *kuruma* prawns, and other high-priced species. But with the start of 200-mile fishing zones throughout the world in 1978, sea farming has received growing support from fishermen and the government. The Japan Sea Farming Association (JASFA), founded by prefectural governments and local fishing cooperatives primarily to increase hauls in the Seto Inland Sea off the west coast of Japan, recently moved from Kobe to Tokyo and became a national organization, making it eligible for greatly increased funding from the central government.

Turning Point

"We are at the turning point now," says a JASFA official. "Fishing communities are starting to take sea farming seriously." Cultivated and farmed products now account for a sizable 9 percent of the 11 million tons of fish Japan hauls in each year as the world's leading fishing country. Experts believe the percentage will increase as more fishing communities start farming projects of their own. Since 1973, 27 of Japan's 39 coastal prefectures have set up sea farming centers and eight more are due to start operations by the end of next year. In 1979, prefectures and local fishing co-ops released 868 million salmon, 337 million *kuruma* prawns, 12 million blue crabs, 9 million red seabream, 2 million Pacific cod, and 1 million black seabream, among others.

The JASFA itself operates nine research centers which develop and disseminate sea farming techniques to prefectures and co-ops. For instance, important advances have been made in producing large quantities of certain microorganisms for feed.

The advantage of sea farming is that it is much cheaper than fish cultivation. Sea farming requires only a little space for raising fry since they are released when they are still only a few centimeters long; and the process takes only a few months, compared to over a year for fish cultivation. Also, tons of small fish must be caught to feed cultivated fish, whereas farmed fish feed on their own in the sea after release.



Tiny newborn red seabream

VAN BOUNCES BACK

Tricky Business

But sea farming is a tricky business, since there is no guarantee that once released, fingerlings will wait around for several years to be caught. Until recently, most sea farmers have specialized in salmon, trout, and a few other species that instinctively return to their native rivers a few years after their release, and also shellfish that settle down near the shore as soon as they are released. Even in such confined waters as the Seto Inland Sea, young fish are apt to wander.

Nevertheless, overall statistics for the Seto Inland Sea indicate that hauls of *kuruma* prawns, red seabream, blue crabs, and a few others have increased in proportion to the number of fry released. For some prefectures, though, especially those with no large bays, this relationship is difficult to see. To make things clearer, JASFA scientists are keeping tabs on the whereabouts of released fry, by tagging some fingerlings before they are released. Fishermen all along the west coast are being asked to report catches of tagged fish to JASFA.

Clearly, for fish farming to work, fishermen must cooperate — and have faith. Unlike typical fish cultivation businesses where the operator expects to profit personally from his efforts, fish farming is aimed at boosting productivity of the coastal seas as a whole. It may be difficult in today's highly competitive fishing industry for small operators to feel that fish farming is benefiting them directly. But it is these fishermen, who are under-equipped for long-distance fishing expeditions, who stand to gain the most from the farming of Japan's coastal seas. ■

As a public relations activity, children help release fry into the sea.



The popular VAN sweatshirt

Ten years ago, the VAN trademark was a symbol of high-quality traditional men's apparel in Japan. Then in 1978, Van K.K. was forced out of business — the victim of changing fashions and unsound management. But though the company went under, the name survived; and now, dedicated ex-employees of the defunct apparel giant are using the VAN appeal to stage a remarkable comeback.

House of Cards

Founded by the famous designer Kensuke Ishizu in 1955, Van produced Ivy League fashions that swept college campuses in the sixties. Van grew to be the nation's second largest men's apparel maker, but in the process, recklessly overextended itself. When young people switched to jeans and other more casual fashions in the mid-seventies, Van collapsed like a house of cards.

The trouble started in 1974 when changing fashions and the oil crisis caused demand fall off at the same time Van was undergoing a major expansion. Ishizu, always a designer first and a businessman second, failed to cut back production or even cancel plans for expansion. By 1976, it had become necessary for Van's chief creditor, Marubeni Corp., to intervene. After unsuccessful efforts to put the company back on its feet, Marubeni suggested in April 1978 that Van place itself under court guidance, giving up its corporate autonomy in exchange for certain financial concessions by the creditor.

Marubeni, a giant trading company,

saw to it that Van's workforce was cut from 1,450 to 300 and inventories reduced from ¥10 billion (\$45 million) to ¥4 billion (\$18 million). But despite these drastic measures, many of Van's creditors were pessimistic about the company's prospects, and in October 1978, the company declared bankruptcy. It was the single biggest bankruptcy in the history of Japan's apparel industry, with debts estimated at ¥35 billion (\$157 million).

Magical Appeal

At this point, the creditors were ready to sell off the VAN brand name, already tarnished by wholesale dumping of inventories, to recoup some small portion of their losses. But the 60 Van union members barricaded themselves in the company's main office, denouncing the creditors' plan to lay off all remaining workers and claiming the right to resume production and marketing of VAN products with financial support from the creditors. The protesting workers were convinced that the VAN brand still retained its magical appeal with consumers. As if to back up the workers' claim, a small apparel maker in Kyushu began illegally selling T-shirts and sweat-shirts bearing the VAN mark and other Van brands.

According to Akira Saito, one of the union leaders, workers and managers alike were opposed to selling the VAN brand to a maker who could not produce real VAN products. Comments Kazuo Hayakawa, Van's former director, "We

hated to see someone else producing VAN clothes that might be totally different from what we had been offering our customers. It used to take a full year to teach our subcontractors how to make genuine VAN clothes."

Workers' Loyalty

Encouraged by the union workers' loyalty to the VAN name, Hayakawa and four other Van directors and managers began planning a new Van company which would buy back trademark rights from the old Van's creditors. When creditors privately indicated their approval of this plan, union workers, who had been selling backed-up inventories since the bankruptcy, decided to set up their own separate Van Company to retail VAN clothes. Starting in November 1979, they established eight retail shops. After purchasing rights to produce and market Van clothes, Hayakawa and the other former Van officers set up their Van Jacket Co. in December 1980.

So Van is back — in the form of two very small chips off the old block. Van Jacket expects to sell about ¥600 million (\$2.7 million) worth of VAN products this year (mostly to Van Co.), compared to annual sales totaling ¥40 billion (\$180 million) for the old Van. "We are not trying to resurrect the big company image," says Hayakawa. "This is an entirely new company, and we will start at the beginning." He adds that Ishizu, the founder and president of the original Van, while still a stockholder, is staying away from the management of Van Jacket and acts only as a design advisor.

Outsiders tend to see the separate existence of Van Co. and Van Jacket as evidence of a smoldering labor-manage-



VAN's Harajuku shop

ment dispute, but actually, both companies are happy with the present setup. Van Jacket doesn't have to worry about paying overtime to busy salesmen who are constantly working nights and weekends, and Van Co. is enjoying the new union-type management — collective shareholding by the 36 employees, disclosure of all business and financial matters to the employees, and decision making by the six managing employees.

Complete Harmony

The two companies are in complete harmony; they confer regularly on designs and production volumes. Both the free-and-easy Van managers and the idealistic union members have turned into much better businessmen, and they have been able to leave any differences they had in the past behind. Still, the companies deny they have any plans to merge

in the future. In fact, Hayakawa says he will split Van Jacket into separate manufacturing and wholesaling businesses if it grows too big.

Both companies are bustling with business. Pin-stripe-suited bankers make frequent trips to Van Co.'s headquarters — not to buy their button-down collar shirts, but to lend the company more money. "The banks trust us so much that they're willing to lend us 20 or 30 million yen any time," says Akira Saito. This is quite an achievement, considering the leery opinion most banks have of union-run companies.

Hot Item

The busiest place is the VAN Shop in Harajuku, one of Tokyo's fashion centers. Young shoppers have to sign waiting lists to buy VAN sweatshirts as they arrive from the warehouse. The VAN shirts are a hot item among surfers, boaters, and other beach people. VAN blazers, jackets, slacks, polo shirts, and T-shirts are also back in fashion.

"I bought all the VAN clothes I could when the company went under and the discount sales started," says a college sophomore. "I am a proud loyalist of VAN clothes and I am happy to be one of the few people to wear them. I hope they don't get too popular." No problem, say the new Van companies. Rather than try to appeal to the fashion mainstream, the fatal mistake of the old Van, the new managers and workers are zeroing in on the limited segment of the market that always prefers the Ivy League preppy look. Although British and American brands moved into the market during the three years Van was out of production, the new Van is confident its old clientele will welcome the company back. ■

Business Briefs

High-Energy Paper-Thin Lithium Battery

Matsushita Battery Industrial Co., Ltd., a battery manufacturing subsidiary of Matsushita Electric announced it has developed the world's first paper-thin sheet-type lithium battery measuring only 1.3mm thick, yet featuring a high energy density. The batteries can be used in new extra-slim electronic products.

The "Volkswagen" of Heat Pumps

A new generation of heat pumps has been produced by the Swedish energy company Pertinex AB. The company calls it the "Volkswagen" of heat pumps due to its extremely high coefficient of performance, and its lack of complicated technical features and advanced control systems that can so easily malfunction. The new heat pump, called Octopus, weighs only 70kg and is roughly the size of a small washing machine. It can get its heat from either the air, the ground or groundwater.

The new Octopus heating system can be connected to most water-borne heating systems. Practical tests and actual installations have shown that a net annual saving after interest and depreciation of around \$400-600 can be made in a normal size house.

IHI Ships Desalination Plant

Ishikawajima-Harima Heavy Industries Co. has started to ship out 10 desalination plant modules to Saudi Arabia's Saline Water Conversion Corp. The modules, which are plant blocks, will be put together to erect a large desalination plant designed to supply drinking water to Riyadh. IHI is also promoting its plant barge system, which saves construction labor and time.

Mitsui Marks Increased Net Sales for Fiscal '80

Mitsui & Co. reported that net sales on an unconsolidated basis for FY 1980, ending March 31, 1981, amounted to ¥12,667,073 million (US\$60,133 million), up 13.0 percent over the previous fiscal year. Recurring profit registered ¥35,589 million (US\$169 million), an increase of 36.8 percent over the previous term.

SMOOTH-RIDING BOTTOM PAINT FOR SHIPS



Nippon Paint Co.'s SPC paint

To save on soaring fuel costs, ship owners have tried everything from reducing speed to adding sails. The latest, and one of the most effective, weapons in the budget battle is fuel-saving bottom paints. By eliminating bumps and bubbles on the paint surface and repelling barnacles and seaweed, these paints ensure a smooth, drag-free voyage.

Although fuel-saving paints are too new to have been tested thoroughly in actual use, the first users have indicated that the new bottom paints save significantly on fuel bills. Nippon Engan Ferry Co. announced last year that one of its ferries coated with Nippon Paint Co.'s Self Polishing Copolymer (SPC) paint operated at a ¥15 million (\$67,000) net savings, after taking into account the ¥19 million (\$85,000) extra spent on the special paint job. Since SPC bottoms need repainting only once every two years, savings for the second year will be something like ¥34 million (\$153,000).

Timely Arrival

Encouraged by Nippon Engan's report, several other ferry owners began painting the bottoms of their boats with SPC and other fuel-saving paints. The new paints' arrival on the market was timely, since ferry operators were concerned that any further reductions in speed would drive passengers away to other types of transit. The Transport Ministry's maritime bureau in Yokohama has decided to recommend the use of SPC paint to owners of long-distance ferries.

Tankers, bulk carriers, high-speed container ships, and other long distance carriers have a lot to gain from fuel-saving paints since in the competitive shipping business, speed is essential but also energy inefficient. The new paints allow shippers to have both speed and fuel economy. At the request of Nippon Steel Corp., some ore carriers are now using fuel-saving paints as part of the giant steelmaker's scheme to reduce its energy requirements by 10 percent.

Active Ingredient

The active ingredient in SPC paint is hydrophilic acryl resin, which gradually dissolves from the topmost coat of paint as the ship moves through the water, smoothing away any irregularities in the painted surface. The acryl resin melts away at a rate of about 0.1mm per year, so two 0.1mm thick coats are applied each time the ship is repainted. In addition, the acryl resin contains cuprous oxide (to repel barnacles) and organic tin (to keep away various seaweeds) which ooze out slowly as the acryl resin dissolves. According to Nippon Paint, antifouling chemicals in conventional paints melt away too rapidly, eliminating protection from barnacles and seaweed, and also creating irregular hollow pores that cause drag.

Because of the special formula and the multiple coats, painting costs for SPC paints are about four times higher than for conventional paints. However, Nippon Paint says the extra cost can be recouped in less than a year through savings in fuel.

Nippon Oil and Fats Co., a leading chemical firm, markets a similar self-

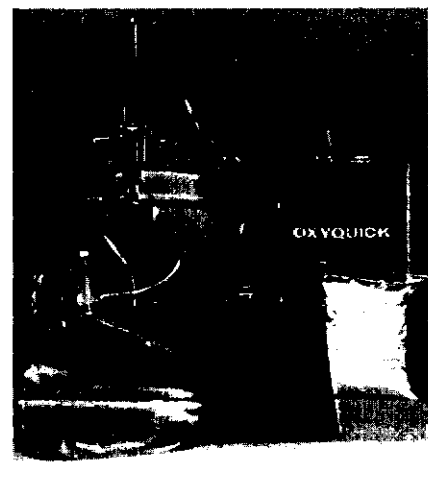
New Products

Instant Oxygen Generator

OXIQUICK, a new portable chemical oxygen generator, is now available for export. OXIQUICK instantly produces 99.82% pure oxygen by adding water to an inexpensive 400-gram packet of OXIQUICK chemicals. No power or heat source is needed. One packet of chemicals produces 30 minutes of oxygen at an average rate of 4 liters per minute.

OXIQUICK is designed especially for emergency home treatment of asthma and various heart-lung disorders as well as for use by emergency medical personnel. The OXIQUICK system is absolutely safe. There is no fire hazard and residue chemicals are totally harmless. OXIQUICK is light, compact, inexpensive, and completely portable.

For further information, please contact the sole import agent, Press International, at 1601 Meguro Plaza, 10-45 Kamiosaki 2-chome, Shinagawa-ku, Tokyo 141, Japan. Tel: (03) 446-3080.



polishing paint it developed itself. The company says its 3L II paint not only saves fuel, but also lasts longer than conventional paints. Kansai Paint Co. and Toa Paint Co., both large paint producers, sell their own fuel-saving paints with slightly different formulas. ■

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1. Is your answer to Item 16 of Section V (Political Propaganda - page 7 of Form OBD-64 - Supplemental Statement):

Yes x or No

(If your answer to question 1 is "yes" do not answer question 2 of this form.)

2. Do you disseminate any material in connection with your registration:

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(If your answer to question 2 is "yes" please forward for our review copies of all such material including: films, film catalogs, posters, brochures, press releases, etc. which you have disseminated during the past six months.)


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